



Pre-Budget Submission 2024

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About Nursing Homes Ireland

Nursing Homes Ireland (NHI) is the national representative body for the private and voluntary nursing home sector.

Throughout Ireland, private and voluntary nursing homes:

- provide quality care to over **25,000** people in more than **400** specialised home-from-home, dedicated healthcare settings in communities across Ireland
- are a key component of effective community care provision in line with Sláintecare
- account for **80%** of all nursing home beds in the State
- directly employ **almost 35,000** people in full and part-time employment across a range of clinical, healthcare support and other roles
- contribute in excess of **€220 million** annually to the exchequer through direct taxation
- reduce pressure on acute hospitals and the health budget, with private and voluntary home care costing **1/8 of the cost of an acute hospital stay**

What We Believe

At NHI, the resident is always at the heart of what we do. We support private and voluntary nursing homes to deliver the very highest standard of care.

We care about the delivery of better care. We support our members to create rich experiences of life for residents. Our members meet residents where they are on their journey and focus on enriching lives well-lived.

Care is better when we work together. We empower our private and voluntary nursing home members with the latest information and advocate for the sector so it can perform better. We bring our message of warmth, comfort and responsibility in a clear and strong voice to the wider community.

We are working to shape a new, more dynamic model of care. Caring is best when it is collective and collaborative. With our residents, members, communities and stakeholders, we want to develop and enhance the care offering for people requiring the specialised care provided by nursing homes.

Introduction

This pre-Budget submission is presented at a time of great crisis in the private and voluntary nursing home sector throughout Ireland. The crisis is a representation of ever-increasing costs not being recognised or met by the fees payable for the provision of care under the Fair Deal Scheme (Nursing Homes Support Scheme), which is administered by the State.

Without urgent action by the Government, a long-term crisis will become embedded within the Irish healthcare system.

This will manifest in:

- People requiring the 24/7 clinical, health and social care provide by nursing homes being denied timely access to it, which presents severe implications for people requiring such,
- People having to avail of this specialised care far removed from their local communities,
- The loss of vital step-down services for acute hospitals, resulting in extended delays in the discharge of patients back into the community,
- Impact on already overstretched acute hospitals/ A&E.

There is requirement for immediate action to stem the wave of closures that have occurred within our sector with provision of a nursing home stabilisation fund. **In Budget 2024, an immediate increase of €191m in Fair Deal funding is required to meet the reality of the increase in resident care costs.**

And unless action is taken now, more nursing homes will close. More residents will lose their homes, causing great upset and trauma. More staff will lose their jobs, more communities will lose vital services and the health service will lose critical capacity for older person care.

PwC Report

The report by PwC, ***Challenges for Nursing Homes in the Provision of Older Persons Care***, published in May 2023, provides a clear insight into the serious issues that are presenting the crisis for the private and voluntary nursing home sector.

Over the past five years, the cost of caring for a nursing home resident has risen by 36%, led by increases in energy, staffing and food costs.

Since 2017, however, weekly rates for the Fair Deal scheme in the private and voluntary sector – set by the National Treatment Purchase Fund (NTPF) – have risen by just on average 3.1% a year. Illustrating the disconnect between the reality of care costs and fees payable under the Fair Deal scheme, HSE-run nursing homes receive fees that are an average €744 per resident, per week, more than those payable on behalf of residents in

private and voluntary nursing homes. This has been borne out by publication of fees payable under Fair Deal to HSE nursing homes for January 2023. The €744 per resident, per week, is a very considerable 69% more than that payable for resident care in private and voluntary operated nursing homes. This represents huge inequity.

Nursing Home Closures

The extreme disparity between the reality of care costs and fees payable under Fair Deal has led to the closure of 34 private and voluntary nursing homes in the past three years (to date). This is a loss of over 1,000 beds from this essential sector within our health and social care services. The PwC analysis, published May 2023, informed of 31 closures and this has since increased. Nursing homes that have provided decades of service in communities across Ireland are being forced to close their doors.

The gross mismatch between costs incurred and fees payable under Fair Deal have clear negative consequences: 33% of nursing homes surveyed by PwC for its analysis reported an operating loss in 2022. As recently as 2017, 100% of those homes were operating on a sustainable basis.

This crisis has broader implications for the health service and for Irish society. Nursing homes routinely facilitate the discharge of older persons from acute hospitals, either through long-term residential care or step-down rehabilitation, which frees up acute bed capacity. According to the ESRI, a 10% increase in per capita nursing home bed supply frees up 53 acute beds daily.

The Government is well aware of the scale of the crisis. A recent opposition party motion in Dáil Éireann calling for immediate, short-term action to stem nursing home closures went unopposed. Further, the motion called for an urgent review of the Fair Deal pricing mechanism. This was an acknowledgment and acceptance from Government of the seriousness of the crisis in nursing home care in Ireland.

However, recognition of the crisis rings hollow without urgent action being taken. Government recognition must be followed by Government action.

Budget 2024 cannot ignore the extreme and unsustainable cost environment that private and voluntary nursing homes are operating in and the extra resourcing required to meet the specialist care needs of nursing home residents.

Nursing Homes Ireland urges the government to enact two key recommendations as a matter of urgency, to ensure the future viability of the private and voluntary nursing home sector:

- 1. Immediately provide €191 million in funding to the Fair Deal budget for National Treatment Purchase Fund to ensure short-term viability of nursing homes and halt further closures.**
- 2. Reset the value/cost equation for Fair Deal rates to reflect the operating environment and the increasingly complex care profiles of nursing home residents.**

The cost details are laid out further in this submission.

**Nursing Homes Ireland
July 2023**

Recommendation 1 - Immediately provide the necessary funding to the National Treatment Purchase Fund to ensure the short-term viability of nursing homes and halt further closures. The necessary investment in the Fair Deal Budget to recognise the reality of increase in nursing home care costs is €191 million for Budget 2024.

There is an urgent need for an additional €201 per resident per week to secure viability in the short term and avoid further closures of nursing homes.

Such funding will critically bridge a gap for private and voluntary nursing home care in recognising the reality of costs incurred and lay the foundations for the long-term sustainable future of the sector.

In December 2017, the average fee payable for resident care under Fair Deal for private and voluntary nursing home residents, per week, was €941. Operational expenditure has increased by 36% over this period. Therefore the €1,079 average fee, per resident, in January 2023 is falling circa €201 per resident short in matching the reality of increase in resident care costs.

This equates to a €191m increase in Fair Deal budget and fees payable for private and voluntary nursing home resident care.

The private and voluntary nursing home sector is in a state of crisis and contraction, with more and more homes and beds closing and not being replaced. Since the beginning of 2022 alone, over 20 nursing homes have closed their doors.

Inflation, sector-wide staffing shortages, higher resident dependency, post-Covid infection prevention control requirements and necessary renovations to meet regulatory requirements have led to incessant increases in the cost of providing resident care.

The *Challenges for Nursing Homes in the Provision of Older Persons Care* report by PwC found that nursing home energy costs rose 71% between 2020 and 2022, with the Government's Temporary Inflation Payment Scheme covering less than half the cost of the increase. Insurance costs rose by 34% between 2017 and 2022; medical costs rose 23% in the same period. Food costs rose 13% from 2020 to 2022 and have risen further this year.

With only very limited increases to weekly Fair Deal rates in recent years, many providers are simply unable to cover their costs of care. It is becoming increasingly unfeasible to operate a nursing home in Ireland and many more operators are on the brink.

Urgent intervention is required.

The Government must move quickly to provide additional funding of €191 million in Fair Deal budget to the NTPF in Budget 2024 to enable it provide fees to private and voluntary nursing homes under the Fair Deal scheme that are commensurate with the reality of nursing home care costs and prevent further imminent nursing home closures. This is essential to avoid more vulnerable residents being displaced or relocated to other homes, out of their communities and away from their families.

Recommendation 2 - Reform Fair Deal. The pricing mechanism for Fair Deal rates must be reformed to ensure it is based on resource allocation that reflects individual residents' care needs, and all the associated costs.

Nursing homes fulfil an essential role in healthcare provision in Ireland, providing residents with highly specialised health and social care on a 24/7 basis. Nursing home care is vital in ensuring we treat our older people with respect and dignity. It is fundamentally important for the State to ensure the funding of nursing home care realistically reflects the growing requirement for specialist care and the high dependency and complex care needs of the individuals involved.

The existing Fair Deal pricing mechanism is based primarily on historical financial data from nursing homes, this means that the rates that many homes are receiving are badly misaligned with their costs of providing care.

There is requirement to address the long-standing warnings that the Fair Deal pricing model is not reflective of the reality of resident care costs.

This critical societal issue is too important to ignore. The time for action is now.

Over the past decade, multiple analyses of Fair Deal independent of NHI – with a number commissioned by Government – have pointed to it being disconnected from the reality of nursing home resident care costs. The current crisis is a manifestation of the funding model not tallying with the reality of costs being incurred, resulting in the closure of multiple nursing homes and the viability of homes across the country being under threat. The long-standing requirement for reform of Fair Deal's pricing model is now more urgent than ever before.

Response to Low Pay Commission

We note recent reports that the Low Pay Commission is to recommend a minimum 12% increase in the national minimum wage. We acknowledge the recommendation as a welcome increase in salaries payable for employees within healthcare and across society.

NHI is wholly committed to raising the terms and conditions and professional standing of social care staff, where staff are valued and rewarded for the professionalism and contribution to high quality person-centred care.

However, it is critical to recognise the private and voluntary nursing home sector is ultimately funded through the Fair Deal scheme, which entails the provision of fee-based nursing homes costs, including salaries payable. An increase in the national minimum wage will have a knock-on effect in salaries payable within the nursing home sector across different disciplines, adding significantly to inflationary pressures within the nursing home environment.

This State imposed inflation must be acknowledged and specifically remunerated and provided for within the fees payable for the provision of care under Fair Deal, which will require an additional budget of circa €30 million.

The amount will depend on the final decision of Government in respect of the recommendation of the Low Pay Commission and we estimate it will be somewhere between €28 million and €32 million.

The specialised care provided by nursing homes is labour intensive, and the majority of turnover (circa 60%) is for salaries payable.

Costings

The costings of our proposals are outlined in this section.

It is critical to remember that this funding secures two vital things:

1. Prevents closures of private and voluntary operated nursing homes and ensures it remains possible to operate them through fit-for-purpose remuneration, without incurring a loss.
2. Achieves sustainability in the provision of nursing home care while a fit-for-purpose pricing mechanism is developed.

App. 2. Cost of ensuring the short-term viability of sector

The cost to the state of not providing the sector with immediate additional funding could be c.4x higher per bed if operated by the public sector

A: Immediate increase to Fair Deal funding

A = additional funding per week per resident of €201.

Calculated by inflating the Dec 2017 avg. private bed rate of €941 by 36%, in line with opex growth during this period = €1,280 and subtracting the Jan 2023 avg. bed rate of €1,079 = €201

B = 18,237 number of private beds funded under NHSS

$A \times B \times 52 \text{ weeks} = \mathbf{€190m \text{ per annum}}$

B: If the private beds were operated by the public sector

A = differential in average public vs. private bed rates as of Jan 2023 = €1,823 – €1,079 = €744

B = 18,237 number of private beds funded under NHSS

$A \times B \times 52 \text{ weeks} = \mathbf{€705m \text{ per annum}}$

PwC

Source: PwC survey, NHF

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